

MOHAVE COUNTY AIRPORT AUTHORITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 1990

TABLE OF CONTENTS

	<u>Page</u>
General Purpose Financial Statements	
Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types	4
Notes to Financial Statements	5-12
Schedule of General and Administrative Expenses	13
Schedule of Federal Financial Assistance	14-15
Report on Internal Control Based on the Understanding Obtained in the Financial Statement Audit	16-17
Report on Internal Control Relevant to Administering Federal Financial Assistance Programs	18-20
Report on Compliance with Laws and Regulations Based on the Financial Statement Audit	21
Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	22
Report on Compliance with General Requirements Applicable to Major Federal Financial Assistance Programs	23
Report on Compliance with Requirements Applicable to Nonmajor Federal Financial Assistance Programs	24
Schedule of Findings and Questioned Costs	25

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the accompanying general purpose financial statements of the Mohave County Airport Authority, Inc. as of and for the year ended June 30, 1990, as listed in the table of contents. These general purpose financial statements are the responsibility of the Mohave County Airport Authority, Inc.'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mohave County Airport Authority, Inc. at June 30, 1990, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Mohave County Airport Authority, Inc. The information in the supporting schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Voordeckers & Mosby
Certified Public Accountants

August 27, 1990

RECEIVED D
DEC 13 1990

CITY OF KINGMAN



December 12, 1990

Mr. Lou Sorenson
City Manager
City of Kingman
310 N. 4th Street
Kingman, AZ 86401

Dear Lou:

For your review, enclosed please find the annual audit as of June 30, 1990 for Mohave County Airport Authority, Inc.

If you have any questions, concerns or comments, please do not hesitate to contact me.

Sincerely,

Brenda

Brenda Chastain
Director Airport Operations

BC:jcp

enc.

JUNE 30, 1990

ASSETS

	<u>Governmental</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>Fund Types</u>				
	<u>General</u> <u>Fund</u>	<u>General</u> <u>Fixed Assets</u>	<u>Long-Term</u> <u>Debt</u>		
Cash and Cash Equivalents	\$ 148,204				\$ 148,204
Accounts Receivable					1,933
Leases	1,933				1,496,022
Federal and State Grants	1,496,022				473
Refundable Deposits	473				20,100
Prepaid Expenses	20,100				
Property & Equipment, net of accumulated depreciation		\$ 2,508,951			2,508,951
Construction in Progress		6,438,776			6,438,776
Other Assets, net of accumulated amortization		8,257			8,257
Amount to be Provided for Retirement of Long-Term Debt			\$ 46,183		46,183
Total Assets	\$1,666,732	\$ 8,955,984	\$ 46,183		\$10,668,899
	=====	=====	=====		=====

LIABILITIES AND FUND EQUITY

Accounts Payable	\$ 16,594				\$ 16,594
Contracts Payable-Grant Exp.	1,520,750				1,520,750
Payroll Taxes Payable	5,625				5,625
Accrued Salaries & Wages	4,560				4,560
Accrued Interest Payable	140				140
Notes Payable			\$ 46,183		46,183
Total Liabilities	1,547,669		46,183		1,593,852
Fund Equity					
Investment-Fixed Assets		\$ 8,995,984			8,955,984
Reserved Fund Balance	811,255				811,255
Unreserved Fund Balance	(692,192)				(692,192)
Total Fund Equity	119,063	8,955,984			9,075,047
Total Liabilities and Fund Equity	\$1,666,732	\$ 8,955,984	\$ 46,183		\$10,668,899
	=====	=====	=====		=====

FUND BALANCE - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 1990

	General Fund

Revenues	
Rents-Leases and Tie Downs	\$ 166,407
Interest Income	16,800
Proceeds of Land Sale	147,500
Federal Grants	5,208,104
State Grants	476,759
Other Revenues	<u>151,057</u>
Total Revenues	<u>6,166,627</u>
 Expenditures	
General and Administrative	305,985
Capital Expenditures	6,049,434
Debt Service	
Principal Retirement	24,175
Interest	<u>6,874</u>
Total Expenditures	<u>6,386,468</u>
Excess Revenues <Expenditures>	<u>(219,841)</u>
Fund Balance, beginning of year as previously reported	305,958
Prior Period Adjustments	<u>32,946</u>
Fund Balance, beginning of year as restated	<u>338,904</u>
Fund Balance, end of year	\$ 119,063
	=====

IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1990

General Fund (Non-GAAP)			
	----- Budgeted -----	----- Actual -----	----- Variance- Favorable (Unfavorable) -----
Revenues			
Rents-Leases and Tie Downs	\$ 155,469	\$ 164,474	\$ 9,005
Interest Income	8,000	17,865	9,865
Proceeds of Land Sale	203,675	147,500	(56,175)
Federal Grants	8,512,412	4,210,840	(4,301,572)
State Grants	1,399,611	221,804	(1,177,807)
Other Revenues	59,000	151,057	92,057
	-----	-----	-----
Total Revenues	10,338,167	4,913,540	(5,424,627)
	-----	-----	-----
Expenditures			
General and Administrative	459,556	311,080	148,476
Capital Expenditures	10,108,226	4,771,052	5,337,174
Debt Service	25,300	31,319	(6,019)
	-----	-----	-----
Total Expenditures	10,593,082	5,113,451	5,479,631
	-----	-----	-----
Excess Revenues <Expenditures>	\$ (254,915)	(199,911)	\$ 55,004
	=====		=====
Fund Balance, beginning of year year as previously reported		305,958	
Prior Period Adjustments		32,946	

Fund Balance, beginning as restated		338,904	

Adjustments to Conform with Generally Accepted Accounting Principles		(19,930)	

Fund Balance, Ending (GAAP Basis)		\$ 119,063	
		=====	

Summary of Accounting Policies

The Mohave County Airport Authority, Inc. was incorporated in the state of Arizona in January 1979 as a nonprofit corporation. The authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman, and the Bullhead City Airport for Mohave County in the State of Arizona. The authority is administered by the board of directors who are elected by the membership of the authority.

The authority is considered to be a political subdivision of the state of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the functions of airport management, maintenance and operation. The accounting policies of the authority conform with generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Reporting Entity

The authority is an autonomous reporting entity. The financial statements presented include all of the funds and account groups relevant to the operations of the Mohave County Airport Authority, Inc.

Fund Accounting

The accounts of the authority are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. All operations of the authority are accounted for in its general fund and related account groups.

The authority leases the real property, on which the airports and industrial park is located, from Mohave County and the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, tie down fees at the Kingman Airport, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the general fund include the management, maintenance, and development of the Kingman and Bullhead City Airports and the Kingman Airport Industrial Park.

The accounting and reporting treatment applied to property, plant, and long-term liabilities associated with a fund are determined by its measurement focus. The governmental general fund type used by the authority is accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable, resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property and equipment used in the general fund are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. An allowance for accumulated depreciation is recorded as a reduction of the investment in fixed assets account. No depreciation has been recorded in the statement of revenues, expenditures, and changes in fund balance.

All property and equipment are valued at historical cost. The authority has adopted a policy of capitalizing "infrastructure" general fixed assets (roads, lighting, drainage, sewer, water, and other similar assets).

Costs incurred to construct fixed assets have been substantially provided from federal and state grants, therefore, no interest has been capitalized in the costs during the construction of the assets.

Long-term liability expected to be financed from the general fund are accounted for in the General Long-Term Debt Account Group, not in the general fund.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The governmental general fund used by the authority is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenues from grants are recognized when they become available from the granting agency, usually as the related costs are incurred on construction projects. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The authority adopts an annual budget as a management control device. The budget is prepared on a cash basis, which is a different basis of accounting than is used to present the financial statements.

The statement of revenues, expenditures, and changes in fund balance-budget and actual presents comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant timing differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 1990, is as follows:

Excess of revenues (expenditures)	
(budgetary basis)	\$ (199,911)

Adjustments:

To remove beginning accrued revenues	(250,193)
To add back beginning accrued expenditures	264,330
To add back ending accrued revenues	1,497,955
To deduct ending accrued expenditures	(1,537,347)
To deduct ending deferred revenue	-----5,325

Excess of revenues (expenditures)	
(GAAP basis)	\$ (219,841)
	=====

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Reserves of Fund Equity

The authority records reserves to indicate that a portion of the fund equity is segregated for a specific future use. The authority is obligated to invest the proceeds from sales of real property in the Kingman Airport Industrial Park in improvements to the Kingman Airport. The authority has five years from the sale of real property to the expenditure of funds for airport improvements.

Total Columns on Combined Statements

Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Cash and cash equivalents are consolidated for balance sheet presentation. Cash and cash equivalents consist of the following at June 30, 1990:

Petty Cash Fund	\$	175
Deposits in non-interest bearing checking accounts		11,698
Deposits in market interest checking accounts bearing interest of 4.45%		42,341
Deposits in market interest savings accounts bearing interest of 5.4%		77,163
Certificate of Deposit, bearing interest of 8.10%		<u>16,827</u>
	\$	148,204
		=====

A certificate of deposit with a balance of \$16,827 has been pledged as security for the line of credit with a balance at June 30, 1990 of \$7,303. It is the Mohave County Airport Authority's policy to make investments in FDIC-insured bank accounts and certificates of deposit. All deposits are in FDIC-insured banks located within the state.

3. Accounts Receivable - Federal and State Grants

Amounts due from grants from the Federal and Arizona governments. Revenues are accrued on the construction projects based on the work completed to June 30, 1990. The related expenditures on the construction projects are accrued as contracts payable on the balance sheet.

4. Refundable Deposits

Amount of deposit with the state workmen's compensation fund based on the authority's estimated annual premium.

The following is a summary of changes in the general fixed asset account group:

	Balance July 1, 1989	Additions	Deductions	Balance June 30, 1990
Land Improvements				
Airport	\$ 1,734,144	\$ 3,965		\$ 1,738,109
Land Improvements				
Industrial Park	1,025,774			1,025,774
Bldgns & Improvements				
Airport	150,723	10,724		161,447
Bldgns & Improvements				
Industrial Park	103,438			103,438
Furniture, Fixtures				
Equipment	40,122	1,000		41,122
Vehicles	<u>34,759</u>	<u> </u>		<u>34,759</u>
	3,088,960	15,689		3,104,649
Accumulated				
Depreciation	<u>461,265</u>	<u>134,433</u>		<u>595,698</u>
Property & Equipment				
Net	2,627,695	(118,744)		2,508,951
Construction in				
Progress	410,731	6,028,045		6,438,776
Other Assets				
Net of Amortization	<u>3,720</u>	<u>5,700</u>	<u>\$ 1,163</u>	<u>8,257</u>
	\$ 3,042,146	\$ 5,915,001	\$ 1,163	\$ 8,955,984
	=====	=====	=====	=====

Accumulated depreciation is recorded as a reduction of the investment in fixed assets, as discussed in note 1. Estimated useful lives used to compute accumulated depreciation on a straight line basis are as follows:

Land Improvements	10-30 years
Buildings & Improvements	10-25 Years
Furniture, Fixtures & Equipment	5-8 Years
Vehicles	3 years

Other assets include an industrial park plan with an original cost of \$9,300 being amortized over 15 years, and a promotional video tape with an original cost of \$5,700 being amortized over 7 years. Accumulated amortization for the industrial park plan and the promotional tapes are \$6,200 and \$543, respectively.

Notes Payable consists of the following:

Note payable to a bank in monthly installments of \$740, including interest at prime plus 2%, unsecured, the note matures in May 1991.	\$ 7,831
--	----------

Note payable to a bank in monthly installments of \$1,000, plus interest at prime plus 2.25%, unsecured, the note matures in April 1992.	23,297
--	--------

Note payable to a bank in monthly installments of \$328, including interest at 12%, secured by a vehicle with an original cost of \$13,800, maturing in August 1992.	7,752
--	-------

Line of credit to a bank with a maximum balance of \$95,000, interest payable monthly at 10.5%, maturing in March 1991, expected to be renewed, secured by a certificate of deposit with a balance of \$16,827.	<u>7,303</u>
---	--------------

\$ 46,183
=====

Maturing as Follows:

Year ended 6/30/91	\$ 30,316
6/30/92	15,221
6/30/93	646

\$ 46,183
=====

At June 30, 1990, the authority had \$87,697 of unused line of credit available to borrow at 10.5% interest.

Changes in Long-Term Debt:

Beginning Balance	\$ 70,358
-------------------	-----------

Principle Retirement	<u>24,175</u>
----------------------	---------------

Ending Balance Long-Term Debt	<u>\$ 46,183</u> =====
-------------------------------	---------------------------

As discussed in Note 1, the authority is obligated by the Federal Aviation Administration to invest the proceeds of land sales in the Kingman Industrial Park in improvements to the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements in the reserved fund balance at June 30, 1990 is \$811,255.

The FAA, which oversees the obligation, accounts for land sales and the related investment in airport improvements on a calendar year basis.

As of June 30, 1990, the authority is obligated to invest in airport improvements as follows:

Six months ending December 31, 1990	\$ 28,804
Year ending December 31, 1991	113,970
Year ending December 31, 1992	58,195
Year ending December 31, 1993	460,015
Year ending December 31, 1994	7,000
Year ending December 31, 1995	<u>143,271</u>
	\$ 811,255
	=====

8. Lease Revenues

As discussed in note 1, the authority subleases under operating leases, certain real property and improvements. As part of these leases the authority is subleasing the Bullhead City Airport to an unrelated corporation. The lessee operates the Bullhead City Airport.

Cost of improvements made by the authority that are being leased is \$218,962 with related accumulated depreciation of \$70,513.

The operating leases have varying terms ranging from a month to month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rentals to be received on non-cancelable leases as of June 30, 1990 for each of the next five years and in the aggregate are:

Year ended June 30, 1991	\$ 101,540
June 30, 1992	94,190
June 30, 1993	79,950
June 30, 1994	70,550
June 30, 1995	65,100
Years thereafter	<u>1,063,985</u>
Total minimum future rentals	\$ 1,475,315
	=====

As discussed in Note 1, the authority leases the real property of the Kingman and Bullhead City Airports and the Kingman Industrial Park from Mohave County and the City of Kingman. The term of the lease is for twenty-five years, expiring in the year 2011, with an option to renew for an additional twenty-five years. Rents on the leases are payable in annual installments of one dollar.

10. Prior Period Adjustments

Fund balance at the beginning of the year has been adjusted to correct an error in the recording of a portion of long-term debt in the general fund, rather than in the long-term debt account group. The error had no effect on revenues or expenditures of the prior year.

11. Related Party Transactions

The Mohave County Airport Authority, Inc. receives a substantial portion of its revenues from federal and state grants for use on construction projects. Revenues from federal and state grants during the year were \$5,684,863. At June 30, 1990, amounts due from federal and state grants were \$1,496,022.

	General Fund -----
Salaries and Wages	\$ 122,022
Payroll Tax Expense	9,946
Workmen's Compensation	1,586
Advertising and Promotion	6,945
Auto and Travel	9,575
Conferences and Seminars	2,388
Dues and Subscriptions	1,448
Fuel and Oil	3,947
Insurance-General	30,917
Insurance-Group	9,588
Legal Publication	3,082
Miscellaneous	2,280
Office Expense	9,231
Outside Services	7,072
Professional Fees-Legal	23,777
Professional Fees-Accounting	6,490
Repairs and Maintenance	12,651
Supplies	838
Surveying, Appraisals and Fees	7,986
Tax and Licenses	929
Telephone	8,390
Utilities	24,897

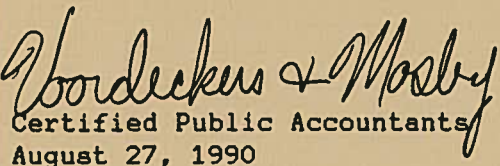
	\$ 305,985
	=====

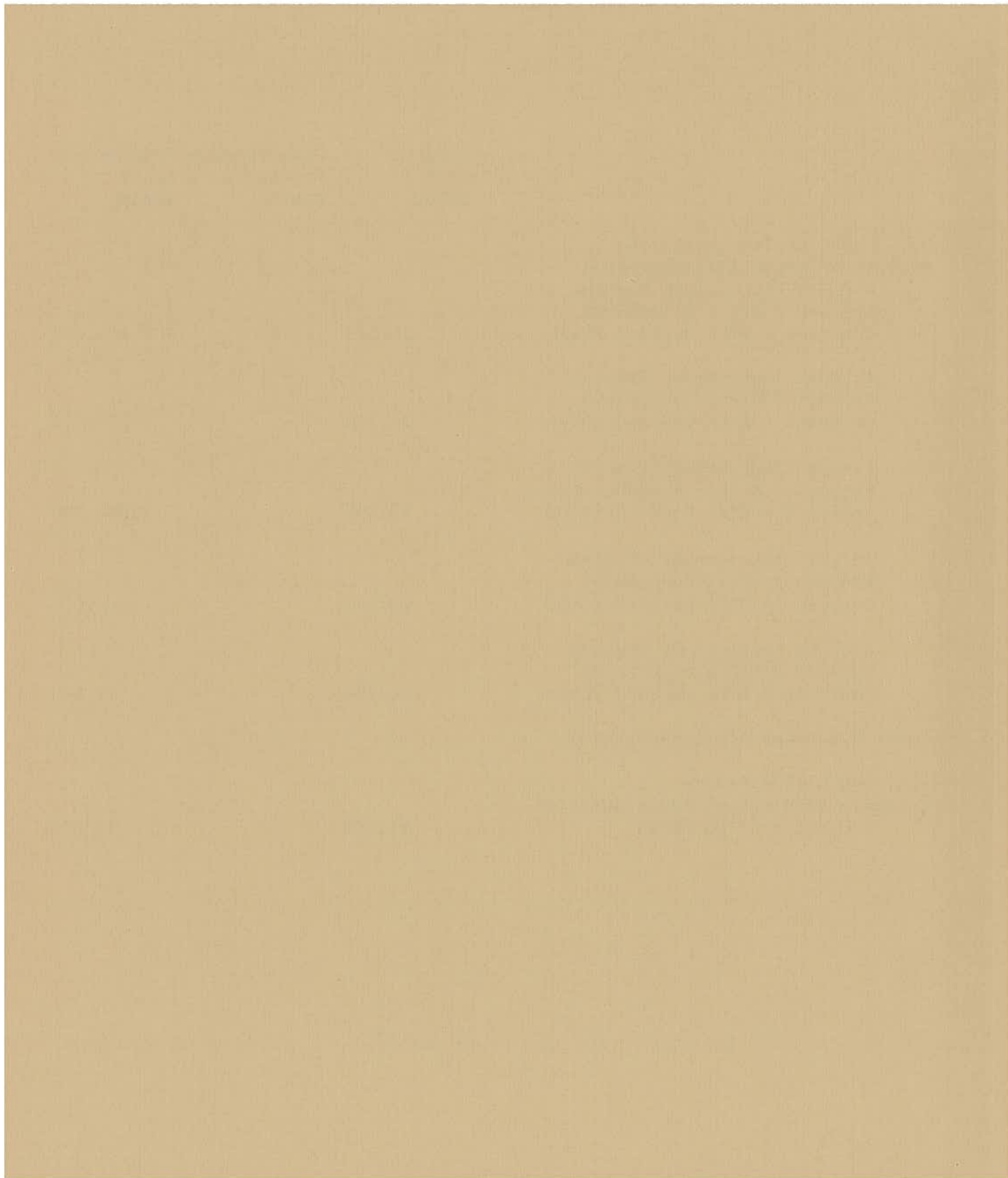
Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., for the year ended June 30, 1990 and have issued our report thereon dated August 27, 1990. These general purpose financial statements are the responsibility of the Mohave County Airport Authority, Inc.'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Mohave County Airport Authority, Inc. taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


Certified Public Accountants
August 27, 1990



Revenue				
Accrued at July 1, 1989	Received During Current Year	Accrued at June 30, 1990	Total	Expenditures
\$ 220,599	\$ 2,500,021		\$ 2,279,422	\$ 2,279,422
2,218	127,646	\$ 1,904	127,332	127,332
	1,573,173	116,025	1,689,198	1,689,198
		1,086,672	1,086,672	1,086,672
		15,480	15,480	15,480
222,817	4,200,840	1,220,081	5,198,104	5,198,104
	10,000		10,000	10,000
\$ 222,817	\$ 4,210,840	\$ 1,220,081	\$ 5,208,104	\$ 5,208,104

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., as of and for the year ended June 30, 1990, and have issued our report thereon dated August 27, 1990.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the Mohave County Airport Authority, Inc. for the year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the Mohave County Airport Authority, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Financing
- Revenue/Receipts
- Expenditures - Purchasing and Payroll
- External Financial Reporting

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Due to the limited number of administrative personnel there is an absence of segregation of duties in administrative and accounting functions. The absence of segregation of duties creates inherent limitations in the internal control system. Although duties are segregated when possible, at the present time management does not believe there is a sufficient volume to warrant hiring the additional employees that would be needed to achieve a significant separation of duties.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that could be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the absence of segregation of duties, as discussed above, is a material weakness.

This report is intended for the information of the Mohave County Airport Authority, Inc.'s board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bordeaux & Mosby
Certified Public Accountants
August 27, 1990

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., for the year ended June 30, 1990, and have issued our report thereon dated August 27, 1990. As part of our audit, we made a study and valuation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, "Audits of State and Local Governments." For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Financing
- Revenue/receipts
- Expenditure - purchasing and payroll
- External financial reporting

Administrative Controls - General

- Political activity
- Davis - Bacon Act
- Civil rights
- Cash management
- Relocation Assistance and Real Property Acquisition
- Federal financial reports

Administrative Controls - Specific

- Types of service
- Matching level of efforts
- Reporting

The management of the Mohave County Airport Authority, Inc. is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended June 30, 1990, the Mohave County Airport Authority, Inc. expended 97% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Mohave County Airport Authority, Inc., our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the Mohave County Airport Authority, Inc. did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Mohave County Airport Authority, Inc. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Mohave County Airport Authority, Inc. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Mohave County Airport Authority, Inc.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

system and weaknesses are likely to exist. Although duties are segregated when possible, at the present time management does not believe there is a sufficient volume to warrant hiring the additional employees that would be needed to achieve a significant separation of duties.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the June 30, 1990 general purpose financial statements and (2) our audit and review of the Authority's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the Mohave County Airport Authority, Inc.'s compliance with laws and regulations dated August 27, 1990.

This report is intended solely for the use of the Mohave County Airport Authority, Inc.'s board of directors, management, and all applicable federal and state agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Mohave County Airport Authority, Inc., is a matter of public record.

Woodruff & Mosby
Certified Public Accountants
August 27, 1990

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the general purpose financial statements of the Mohave County Airport Authority, Inc., as of and for the year ended June 30, 1990, and have issued our report thereon dated August 27, 1990.

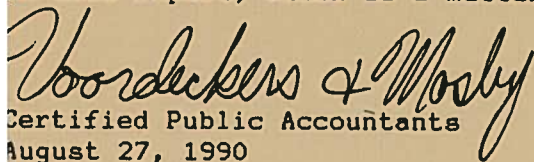
We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Mohave County Airport Authority, Inc. is the responsibility of the Mohave County Airport Authority, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Mohave County Airport Authority, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Mohave County Airport Authority, Inc. complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those provisions.

We noted an immaterial instance of noncompliance that we have included in our schedule of findings and questioned costs.

This report is intended for the information of the Mohave County Airport Authority, Inc.'s board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants
August 27, 1990

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have audited the Mohave County Airport Authority, Inc.'s compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; land disposal; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1990. The management of the Mohave County Airport Authority, Inc. is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

The finding in the prior year that the Mohave County Airport Authority, Inc. had failed to meet the DBE requirement on project # AIP 03-04-0006-02 was resolved during the current year. The FAA has determined that the Mohave County Airport Authority, Inc. is meeting their DBE requirements. The finding in the prior year regarding the civil rights complaint against the Mohave County Airport Authority, Inc. was determined to be unfounded by the U. S. Department of Transportation.

In our opinion, the Mohave County Airport Authority, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; land disposal; claims for advance and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1990.

21 *[Handwritten signature]*

Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

We have applied procedures to test the Mohave County Airport Authority, Inc.'s compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1990: political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, and federal financial reports.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Mohave County Airport Authority, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the Mohave County Airport Authority, Inc.'s board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Voordeckers & Mosby
Certified Public Accountants
August 27, 1990


Board of Directors
Mohave County Airport Authority, Inc.
Kingman, Arizona

In connection with our audit of the June 30, 1990 general purpose financial statements of the Mohave County Airport Authority, Inc. and with our study and evaluation of the Authority's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1990.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Mohave County Airport Authority, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the Mohave County Airport Authority, Inc.'s board of directors, management, and all applicable federal and state agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants
August 27, 1990

1. U.S. Department of Transportation - FAA Project # AIP 3-04-0021-04

The program required that funds received be dispersed within thirty days of receipt. One payment of \$11,250 was not disbursed within the thirty days to the contractor. The delay was caused when problems arose with the general contractor not paying subcontractors. When the problem was resolved, payment was made by the Mohave County Airport Authority, Inc.

